Sri Lanka.

Statement to be made by Mr. Siri Wirithamula, Secretary of Trade, Commerce and Consumer Affairs on 11th June 2004 at G77 +Ministerial UNCTAD XI, in Sau Paulo Brasil

Mr. President,

Honorable Ministers

Distinguish delegates,

On behalf of my Minister, Hon Jeyaraj Fernadopulle, the Minister for Trade, Commerce and Consumer Affairs who is unable to be present today, the Government Sri Lanka wishes to convey its full solidarity with the Group of 77+ China on this historic occasion of celebrating the 40th anniversary of its establishment.

From the original group of 77, the membership has grown over the years to 132 testifying its continued relevance for all developing countries on their struggle to safeguard economic and social interest. The decision by China to join G77 gave added strength to this very heterogeneous group of countries

in term of economic size, income levels, degree of industrialization, trade structure and trade policies. Despite these diverse characteristics and interests, the group stand together solidly as one cohesive assembly when the need arise to apply political pressure and exercise its significant influence to safeguard the economic and social interests of the South. As stated in the first Ministerial Declaration of G77, we need to maintain this solidarity and further strengthen, this unity in the years ahead"

Mr.. Chairman,

On this important occasion, it would also be relevant to take a stock of achievements and to strategies in furthering our development objectives. The draft ministerial declaration which is before us is a good basis which is both a retrospect of the Group's performance in the areas relating to trade and development, debt and finance, commodities, poverty, technology and health as well as proposing some new

directives for future action. In this context, my delegation believe that the challenges we encounter today and the issues to be addressed are not very different from those that we faced four decades ago. Professor Ajith Singh from the University of Cambridge in his introduction to the most recently published book by South Centre in Geneva " Recalling UNCTAD I at UNCTAD XI" state that" Forty years later, the world is still searching for satisfactory policy answers to the questions posed so eloquently by Prebish". For example, during the UNCTAD I in 1964, the issues of deterioration of terms of trade affecting primary commodities, financing and readjustments of external debt, the problems of access to markets in developed countries, reducing poverty and successful integration of developing countries into the multilateral trading system, marginalisation of economies vulnerable to external shocks were extensively debated and there were calls for international action. Yet even today the very same issues remain of major concerns for low and middle-income developing countries.

Allow me to cite a few examples to illustrate this point. For developing countries, terms of trade, which is usually used to measure the purchasing power of our exports, between 1980 and 2001 (1995=100) has decreased from 143.6 to 99.8. For my country, the terms of trade (taking 1990 as base year =100) has decreased from 326.2 in 1964 to 132.7 in 2002. With the possible exception of east Asian countries, the problem of external debt and its sustainability of low and middle income remains as critical issues. According to a recent discussion paper prepared by G24 on this subject, for developing countries the debt burden has remained high at 40 per cent of GDP and 113 percent of exports. For South Asia the total debt as a percentage of GDP has increased from 12 percent in 1980 to 25.4 in 2002. As for Sri Lanka this ratio was 105.3 percent in 2002 as against 96.9 in 1990.

This idea is well captured in the draft ministerial text stating that "Several of the items that were on the agenda of the Group

of 77 in 1964 remain valid" Perhaps the gravity of some of these problems encountered by our members are worse today than it was forty years ago. My intention here is not to just paint a negative picture but to highlight the harsh reality. The majority of our group are facing enormous difficulties in areas such as debt sustainability, increasingly worsening terms of trade and a variety of new market entry barriers under the guise of SPS and technical regulations.

However, Mr. Chairman it is also pertinent to note that there are encouraging developments in certain areas and some of our group members have made good progress towards achieving sustained economic growth while diversifying both their markets and product base.

Another development to be welcomed is the expansion of South- South trade in recent years reducing developing countries dependence on the markets of the north. For example, in 1960, exports directed from and to developing

countries represented 24 per cent of developing country's total exports while in 2001 this proportion has increased to more than 40 percent. As reported in WTO's World Trade Report (2003), during the period between 1990 and 2001 South-South trade expanded twice as fast (10%) as world trade (5%) and "the value of South-South trade rose from 219 billion dollars in 1990 to 640 billion dollars in 2002". This emerging new trade geography in the arena of global trade is undoubtedly a welcome development which we need to consolidate utilizing instrument such as GSTP more effectively. At the same time we should not be complacent in view the evident asymmetrical developments that need attention.

Firstly, the present share of developing countries in world trade is much less than their share in world population meaning that benefits of global trade are unevenly distributed. Allow me to elaborate this point further. Today, the world population is about 6 billion of which almost 4.87 billion people live in developing world while 1.17 billion people live in developed

countries. In contrast, of the world-merchandised trade of US$ 6280 billion in 2002, developing countries had a share of only 32 percent as against 63.5 percent of developed countries. Secondly, South-South trade, when analysed in detail, is more concentrated on a few leading actors. We need to see how the benefits of south-south trade can be enjoyed by a larger number of our group. There is an array of political and institutional factors and also trade facilitation issues that need to be tackled for further expansion of trade among developing countries in a way that benefits are shared equally among our members.

Mr. Chairman,

Recent efforts among the international community to focus the international trade agenda on development issues, are to be welcomed. In this respect the Doha Round of trade negotiations raises hopes for developing countries as it places the development dimension at the center of discussions. After a

temporary set back in Cancun, positive signs are emerging in the key areas of the Doha Round of trade negotiations with several new ideas on the table. Meanwhile, in the Millennium development declarations in 2000, although a number of human-development related objectives have been codified setting numerical goals and time-bound targets, the progress towards achieving these targets however have been slow. Therefore we should give further new thoughts to achieve MDG.

In Conclusion, our meeting on the eve of the eleventh conference of UNCTAD is therefore timely as it provides us the opportunity to revisit and take stock of issues that we identified in Doha and as well as to assess progress on the MDGs to which our heads of states have been committed. The worsening international political and security situation also make this conference timely since it allows us to address collectively the problems of developing countries. The group should send a strong political message of the need for further

cooperation, if we are restore confidence in to the multilateral system and stimulate strategic contribution to the overall international development agenda.

I thank you Mr. Chairman